



Purpose: For Decision

Delegated decision report

DECISION UNDER DELEGATED POWERS

DECISION CANNOT BE TAKEN BEFORE THURSDAY, 17 MAY 2012

Title	PROPOSED SALE OF THE FORMER GREENMOUNT PRIMARY SCHOOL, GREEN STREET/43 NEWPORT STREET, RYDE, ISLE OF WIGHT
Report to	THE DEPUTY LEADER OF THE ISE OF WIGHT COUNCIL CABINET MEMBER FOR THE ECONOMY AND THE ENVIRONMENT

EXECUTIVE SUMMARY

1. To approve the disposal of the council's interest at the former Greenmount Primary School, Green Street/Newport Street, Ryde, Isle of Wight.
2. The outcome will be the best possible capital receipt from this disposal towards the funding of the capital costs of delivering the School Reorganisation Programme, as set out in the approved cabinet decision ref. 76/07 "Schools Reorganisation – Outcome of January/February Consultation", and in accordance with the current Strategic Asset Management Plan.

BACKGROUND

3. The former Greenmount Primary School in Ryde dates from 1812, and sits on a site extending to approximately 0.24 hectares (0.59 acres) with frontages to both Green Street and Newport Street. A site plan is attached as the Appendix. It was a primary school until its recent closure under the council's Schools Reorganisation Programme, and was confirmed in July 2011 as surplus to educational requirements in the cabinet member delegated decision 22/11 "Disposal of School Sites".
4. Marketing of the property commenced on 1 August 2011, and the property was advertised for 22 weeks, during which time seven adverts were placed in the County Press to ensure a thorough marketing campaign. The property was marketed on both the national property website Rightmove, and the appointed agent's own website. Offers were received during this time. One offer was received for part of the site only, but as it was the council's preference to sell the site in its entirety this offer was rejected. The first offer for the whole site was made in October 2011, but the bidder subsequently withdrew this due to uncertain market conditions. Accordingly marketing continued until a second offer was received in January 2012. This is the offer currently being recommended for acceptance. It was accompanied by satisfactory proof of funds and is not subject to the sale of any other property.

5. Because the use currently permitted on the site is education use only, the proposed purchase is conditional on the grant of planning permission for residential use (with a minimum of three car parking spaces). The contract is also conditional upon the current consent for disposal from the Department for Education (DfE) remaining in place. The preferred bidder is responsible for funding this planning application at its own cost and risk, and if satisfactory planning permission is not granted, this cost will not fall to the council. The proposed conditional contract gives both parties comfort that an agreed price will be paid for the site if the anticipated planning permission is granted. Both the council as vendor and the preferred bidder as potential purchaser have discussed the development proposals with the planning department to ensure the purchaser's proposals are reasonable, before the planning application is submitted.
6. While planning permission for residential use on this site seems likely to be favoured by the planning department, there is uncertainty as to the amount of car parking which may be allowed. The amount of car parking granted consent will substantially affect site value, therefore the preferred bidder has submitted alternative offers. The council as landowner has been advised by independent highway consultants that it should be possible to obtain at least three car parking spaces from the Green Street frontage, but only three car parking spaces for ten residential units will reduce the value of the development, and therefore the site. If, however, vehicular access is granted from Newport Street, at least seven car parking spaces will be achievable on site by demolishing the wing of the Newport Street building (shown hatched on the site plan attached as the Appendix, thereby gaining access to the centre of the site. Accordingly, the critical issue for the value of this site is whether or not vehicular access is granted from Newport Street.
7. Accordingly, the preferred bidder has submitted two offers for the site:
 - £400,000 conditional on planning permission being granted for conversion to residential use with at least three car parking spaces on site ("the minimum scheme"), or
 - £450,000 conditional on planning permission being granted for conversion to residential use with at least seven car parking spaces on site ("the maximum scheme").

The proposal is, therefore, to proceed to conditional exchange of contracts on the basis that one of the above two options is granted planning permission. If neither scheme gains planning permission the contract will fall away and the purchaser will not purchase the site. Even if planning permission is obtained, the contract will also be conditional on DfE consents remaining in place, enabling the council to dispose of the school building.

8. Key milestones have been agreed with the purchaser, to enable the sale to be completed as quickly as possible while also allowing the purchaser a reasonable timetable to obtain planning permission bearing in mind the substantial investment they are making to obtain this. These milestones are as follows:
 - The purchaser is obliged to submit a planning application for the maximum scheme within ten working days of exchange of contract.
 - If the initial planning application for the maximum scheme is refused, the purchaser is obliged to submit an appeal and a new application for the minimum scheme within 20 working days.

- Long stop date: the contract will fall away twelve months after conditional exchange of contracts. This allows the purchaser three months for an application for the maximum scheme application, a further three months for an application for the minimum scheme if necessary, plus an opportunity to appeal both. This is a tight timescale for the purchaser - for the benefit of the council – so the council receives the capital receipt as soon as possible, or is free to remarket the property as soon as possible if both applications are unsuccessful. There is also the opportunity for an extension of a further three months if the application is part-way through a process, such as a planning appeal or judicial review.
9. As part of the freehold sale, an overage clause will be included to cover the eventuality that if the minimum scheme only is granted consent now, but the maximum scheme is subsequently granted consent after the council sells the site, the council will share in the additional value created. The overage clause will remain on the title for five years, as it is likely that the purchaser will want to develop the site (and therefore obtain the best possible planning permission) well within this timeframe.

STRATEGIC CONTEXT

10. The rationalisation of the council's property assets ("The council will actively seek to sell or dispose of assets that are surplus to requirements where practicable to maximise receipts") forms part of the 'Delivering of Budget Savings through Changed Service Provision' key corporate priority within the council's corporate plan.
11. Raising Educational Standards (previously known as the Schools' Reorganisation Programme) is also one of the council's key corporate priorities within the Corporate Plan, and this incorporates the rationalisation of the council's surplus education property assets as detailed in the approved decisions 76/07 and 22/11.
12. If this property is disposed of it will release a capital receipt into the School Reorganisation's capital investment budget, to assist in delivering the Schools' Reorganisation Programme (decision ref 76/07).
13. The disposal of this property is identified in the 2011 Strategic Asset Management Plan.

PLANNING

14. Prior to marketing, advice was sought from officers within the planning department as to what alternative uses for this site are likely to be possible. It was advised that, subject to planning permission, conversion of the existing accommodation to residential use would be likely to be considered favourably. The preferred bidder is proposing conversion to ten residential units, and the preferred bidder has met with the planning department to discuss the application.
15. As the land is owned by the council, in line with the council Constitution any application for planning consent will be considered separately by the council's planning committee.

CONSULTATION

16. Details of the proposal have been shared with the cabinet member for the economy and the environment, the local member and town council, and no adverse response has been received.

FINANCIAL / BUDGET IMPLICATIONS

17. Historically, the council received a small rental income (£2,500 per annum) from part of this property (from the Primary Care Trust, for use of part of the Newport Street building), which ceased last year. Rental income has not been received by the council since, therefore the sale of this property will not result in the loss of rental income to the council.
18. If the property were not sold, it may be possible to attract a rental income by letting it. However, the accommodation is, essentially, a school building and therefore demand from tenants for the site in its existing configuration and condition would be limited. Indeed, the property has been marketed for all uses and no interest for commercial uses, including school use, has been received. In addition, any rental income would be substantially reduced by the investment an incoming tenant would need to make to create usable commercial space.
19. The building is currently occupied temporarily by a charitable organisation which provides a security presence on site and saves the council's education department running (revenue) costs, such as rates, insurance, utilities and security costs. If the charity was not in occupation (and under the terms of their licence they can leave at any time), the education department would be liable for these outgoings. An estimate of these, for one year as a vacant property, is about £17,000 per annum (£5,000 for utility standing charges, £9,961 business rates and £2,000 contingency for maintenance and urgent works). There is no council budget, and only limited education budget, to fund these costs beyond 31 March 2012. If the costs exceed the limited education budget available, these will need to be paid for from an alternative, possibly corporate, source.
20. Even with the charity in occupation, as landlord the council remains responsible for insurance, external and major repairs to the building, such as boiler failure, which again, there is only limited budget available for.
21. If the recommendation made in this report is adopted, the council will benefit from a capital receipt into the schools reorganisation capital investment programme, and will be released from the potential future holding costs of a vacant school building, particularly if demand from potential tenants is limited.

CARBON EMISSIONS

22. There is a positive carbon emission implication for the council as a result of the sale of this property. During the last full financial year 2010/11, the site consumed 85,000 kilowatts (kWh) of electricity and 64,000kWh of gas, and a full year's occupation is estimated to have produced 58 tonnes CO₂.
23. The Carbon Reduction Commitment Energy Efficiency Scheme levies a charge (essentially a tax) on all carbon emissions produced by the council of £12 per tonne. This disposal will generate a saving (calculated for a full year's occupation) against this scheme of £696 per annum from the school's central budget. This is anticipated in the council's carbon reduction plan.

LEGAL IMPLICATIONS

24. The council currently holds the property on a freehold basis with unencumbered title.
25. As part of the freehold sale, an overage clause will be included to cover the eventuality that the minimum scheme only is granted consent now, but that the maximum scheme is subsequently granted consent after the council sells the site. The overage clause will remain on the title for five years, as it is likely that the purchaser will want to develop the site (and therefore obtain the best possible planning permission) well within this timeframe.
26. The contract will be conditional upon the purchaser securing planning consent, and if that is not forthcoming the purchase will not proceed.
27. The contract will also be conditional upon any and all necessary consents from the Department for Education (DfE) being retained. The disposal of a school requires consent from the DfE. The current position is that to dispose of a school under 8,000 square metres, a self-notification system applies whereby the council advises the DfE that it meets the conditions for consent and the DfE acknowledges this. As this property is less than 8,000 square meters in size, this process has been undertaken and acknowledgement from the DfE received. Therefore at the present time DfE consent to dispose has been secured. However, it is the council's understanding that new regulations are likely to be introduced in the next few months, which may require further consent to be secured. If so, such consent could take six months to secure. The DfE has confirmed that once the regulations change the current consent may need to be replaced, but until the regulations are produced the position remains unclear.
28. If the property is sold then, with the exception of the overage clause above, once the sale has been completed the council will have no further interest in the property.
29. The council has the ability to dispose of property under Section 123 of the Local Government Act 1972 for best consideration.

EQUALITY AND DIVERSITY

30. The council as a public body is subject to general and specific duties under equality and diversity legislation and as such has a duty to impact assess its service, policies/strategies and decisions with regard to diversity legislation and the nine 'protected' characteristics (race, gender reassignment, disability, age, sex and sexual orientation, religion or belief, pregnancy and maternity, marriage and civil partnership). Any equality and diversity issues that may arise from the closure of the school have been dealt with in the paper seeking to approve the closure of the school (ref 22/11).
31. Report 22/11 stated: "Where the council is providing new or extended facilities every opportunity will be taken to improve access to premises. The process will ensure that disposal of school sites do not disadvantage students or staff with regard to the nine protected characteristics as specified in the Equality Act 2010 – age, disability, gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion/belief, sex or sexual orientation. Positive impact is anticipated. The improvement to the remaining stock would be conducive to good access to services which meet the needs of those local communities affected."

PROPERTY IMPLICATIONS

32. It is considered that property implications are adequately covered within the main body of this report.

OPTIONS

33. Options have been considered in respect of this property as follows:
- (a) To sell the property subject to a conditional contract as detailed in this report and accept the highest offer received from the preferred bidder, which is also in the strongest financial position to proceed.
 - (b) To continue to market the property for a longer period in the hope of achieving a higher capital receipt.
 - (c) To retain ownership and refurbish/convert the property for a different use, and then offer to the market on a rental basis.
 - (d) To retain ownership of the property and seek to lease it to a tenant without undertaking works.

RISK MANAGEMENT

34. Option (a) represents low risk to the council as it has followed a robust marketing route that has included research into the funding method/ability of the proposed purchaser. There is a risk of the purchaser not proceeding if planning consent is not obtained and/or further DfE consent is required for the disposal of the school site.
35. Option (b) would be of medium to high risk as the existing bidder may withdraw. Also, due to the level of exposure to the market to date, the marketing agents have advised that, if this route were chosen, it is unlikely that a better offer would be received. Indeed, the major risk of this course of action would be that a lower offer is ultimately agreed, in light of the potential for continued falls in the current property market. The need for future DfE consent may continue to be an issue.
36. Option (c) is a high risk as it is difficult to predict exactly what alternative uses may be demanded by the market and, therefore, what works would be required to convert and refurbish this school building to enable such a use. If the wrong conversion decision is made there is an equally high risk that there would be no demand for the resulting scheme. In addition, there would be a significant risk to the council for the conversion costs and, even if a successful scheme was achieved, there would be an ongoing management liability. Before expending any monies on conversion the position regarding future DfE consent for disposal would need to be resolved. The new regulations (when introduced) would need to be considered and any application for consent (if required) made.
37. Option (d) would result in continued revenue cost to the council for property management and maintenance, with limited uses for the site in its current guise, due to its most recent use as a school, and a relatively low rent to reflect the need for substantial capital investment by an in-going tenant to make it suitable for an alternative use. Unless a lease was entered into before the introduction of the new regulations (date unknown), further DfE consent may be required.

EVALUATION

38. Options (c) and (d) are not recommended as they fail to achieve a capital receipt, and would result in either a significant and risky capital investment by the council or only a relatively low rent at best, would have ongoing capital and revenue cost implications to the council, and would necessitate some level of landlord administrative input.
39. Option (b) is not recommended as the availability of the property has been marketed widely. The marketing has coincided with a time of continued uncertainty within the property markets, and therefore the agents consider it unlikely that a higher offer will be received.
40. In light of the continued uncertainty across the property market and uncertain economic climate, it is considered that option (a) is the most appropriate disposal path.

RECOMMENDATION

41. Option (a) - To sell the property subject to a conditional contract as detailed in this report and accept the highest offer received from the preferred bidder, who is also in the strongest financial position to proceed.

APPENDICES ATTACHED

42. [APPENDIX](#) - Site Plan

BACKGROUND PAPERS

43. Cabinet paper decision 76/07 – Schools Reorganisation – Outcome of January/February consultation
44. Delegated decision 22/11 – Disposal of school sites

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Decision

Signed

Date
